

ACCOUNTING and REPORTING MANUAL for POLITICAL COMMITTEES



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This guide is intended only as a summary to aid understanding of Campaign Finance and Practices Laws. For complete requirements, consult Montana Code Annotated Title 13, Chapters 35 and 37.

INTRODUCTION

The purpose of this manual is to provide a practical guide to accounting and reporting procedures for treasurers of political committees and others who are involved in the election process.

This manual ***is not a substitute*** for the laws and rules governing campaign finance and practices. Specific citations are noted throughout the manual. If precise legal language is required, users of this manual need to consult Montana Code Annotated (MCA) and Administrative Rules of Montana (ARM).

MCA Title 13, chapter 37 provides for public disclosure of contributions and expenditures made to influence elections; therefore, accurate disclosure of those transactions requires: (1) an understanding of the laws and rules; and (2) the maintenance of detailed accounts from which periodic finance reports can be prepared.

The manual is divided into three major parts: POLITICAL COMMITTEES, POLITICAL COMMITTEE ACCOUNTING, and POLITICAL COMMITTEE FINANCE REPORTING.

Part 1, POLITICAL COMMITTEES, defines and describes the various types of political committees and the specific reporting requirements for each type.

Part 2, POLITICAL COMMITTEE ACCOUNTING, discusses the responsibilities of committee treasurers, outlines basic record maintenance practices and accounting principles, defines and provides examples of contributions and expenditures, and describes contribution limitations as well as contributions that are illegal to give and to receive.

Part 3, POLITICAL COMMITTEE FINANCE REPORTING, identifies the different statements and reporting forms required for filing, who must file them, how the various forms are to be completed, and when and where these forms are to be filed.

Treasurers of committees who have questions concerning accounting practices and reporting procedures are urged to write, call, or fax the Commissioner of Political Practices. The address, telephone number, and fax number are provided on the front cover of this manual.

PART 1

POLITICAL COMMITTEES

POLITICAL COMMITTEE

Definition.

Montana Code Annotated (MCA) § 13-1-101 (18):

“Political committee” means a combination of two or more individuals or a person other than an individual who makes a contribution or expenditure:

- (a) to support or oppose a candidate or a committee organized to support or oppose a candidate or a petition for nomination; or
- (b) to support or oppose a ballot issue or a committee organized to support or oppose a ballot issue; or
- (c) as an earmarked contribution.

While this is the legal definition of a political committee, one ought to consider a committee in terms of why it is formed and what it does. Usually, there are three types of political committees that participate in elections.

Administrative Rules of Montana (ARM) 44.10.327 defines three types of committees: principal campaign committee, independent committee, and incidental committee.

PRINCIPAL CAMPAIGN COMMITTEE

Definition.

A principal campaign committee is a political committee that is specifically organized to support or oppose a particular candidate or issue.

Ballot issue committee.

As the name implies, a ballot issue committee is organized to support or oppose a particular ballot issue which is defined as including "initiatives, referenda, proposed constitutional amendments, recall questions, school levy questions, bond issue questions, or a ballot question." [MCA § 13-1-101(16).]

Except for a statewide issue, a ballot issue committee usually is formed after an issue has met the legal requirements to qualify for placement upon the ballot. A statewide issue becomes a ballot issue "upon approval by the secretary of state of the form of the petition or referral." [MCA § 13-1-101(16).]

Whether statewide or local, a ballot issue committee must certify the name of its treasurer and properly file a Statement of Organization (Form C-2) within five (5) days after it makes an expenditure. [MCA § 13-37-201.]

As with other committees, a ballot issue committee must keep accurate records of contributions and expenditures, must comply with campaign finance and practices laws, and must file the appropriate finance report forms.

Particular candidate committee.

On rare occasions, a committee is formed specifically to support a particular candidate or to oppose a particular candidate. A committee organized to support a particular candidate ***is not to be confused*** with the candidate's own campaign organization which is not legally defined as a "political committee."

Rather, a "particular candidate committee" would come into being when a group of a candidate's friends and supporters decide to make an independent effort on behalf of the candidate instead of joining with the candidate's organization. While such a committee is legal, some problems and even risks can develop in forming and operating a separate committee.

The first problem is that all activities of this type of committee must be ***completely independent*** of the candidate and the candidate's own organization. If, in any way, the committee comes under the influence or control of the candidate, either directly or indirectly, then it ceases to be a committee apart and becomes an integral part of the candidate's own campaign organization.

A second problem is that, in being constrained to operate apart from the candidate and the candidate's own organization, this committee cannot coordinate its efforts to complement the efforts of the candidate.

Finally, another problem arises due to the limitations of aggregate contributions to a candidate. MCA § 13-37-216(1)(b) stipulates:

A contribution to a candidate includes contributions made to the candidate's committee ***and to any political committee organized on the candidate's behalf.***

Thus, a committee organized to support a particular candidate would have to be extremely careful when accepting contributions so as not to jeopardize the candidate's limitation on aggregate amounts permitted under law.

With these complications in setting up a separate committee, it would seem that the best way to support a particular candidate would be to work with the candidate's own campaign organization. As indicated earlier:

A candidate and his or her treasurer do not constitute a political committee. The campaign treasurer, while performing the statutory duties of a campaign treasurer, is the agent of the candidate.

[ARM 44.10.325.]

Candidates frequently use the word "committee" in naming their campaign organizations which is perfectly all right; however, by legal definition, these

organizations are not considered to be political committees.

Leadership political committee.

"A leadership political committee maintained by a political officeholder is considered to be organized on the political officeholder's behalf." [MCA § 13-37-216(2)(b).]

If contributions to a political leadership committee are expended for political activities of an officeholder (rather than for education or research purposes), they should be included in calculating contribution limits; however, if expenditures from a leadership political committee's account are not used as contributions or expenditures under the general campaign finance and practices laws, they are not counted in the contribution limits.

INDEPENDENT COMMITTEE

Definition.

An independent committee is a political committee that is not specifically organized to support or oppose any particular candidate or issue but one that is organized for the primary purpose of supporting or opposing various candidates and/or issues.

Political action committees and political party committees are termed "independent" committees within the meaning of MCA § 13-37-216 for purposes of contribution limitations. [See pages 14 through 16 of this manual.]

Political action committee.

A political action committee (PAC) is commonplace in campaign activities, both nationally and in the individual states. Frequently such a committee is composed of employees of a common employer or members of a particular profession or trade. These individuals contribute to their own PACs for the purpose of supporting or opposing candidates and/or issues upon which the committee agrees. Most PACs

are ongoing once established and participate in elections year after year. [ARM 44.10.327(2)(b)(i).]

Political party committee.

A political party committee is organized around the philosophical and political beliefs of its members. The most prominent examples are the Republican and Democratic party committees. These committees support candidates of their own party, oppose candidates of opposition parties, and support or oppose selected issues usually based on party platforms. [ARM 44.10.327(2)(b)(ii).]

Political party committees are similar to PACs in terms of their wide-ranging participation in campaigns; however, they are vastly different in how they are formed and in their broader functions which go well beyond participating in election campaigns.

Another important distinction of a political party committee is that it "may not endorse, contribute to, or make an expenditure to support or oppose a judicial candidate." [MCA § 13-35-231.]

INCIDENTAL COMMITTEE

Definition.

An incidental committee is a political committee that is not specifically organized for the primary purpose of influencing elections but that may incidentally become a political committee by making a contribution or expenditure to support or oppose a candidate and/or issue.

Incidental committee.

An organization ***whose primary purpose is other than influencing elections*** becomes an incidental committee when it makes "a contribution or expenditure to

support or oppose a candidate and/or issue." [ARM 44.10.327(2)(c).] For example, a social or service club may decide to support a candidate or issue. The organization would then become an incidental committee and would have campaign finance reporting responsibilities. [ARM 44.10.411.]

SUMMARY

Political committees, of whatever sort, must observe all campaign finance and practices laws, keep accurate records, and file necessary reports. [See Part 2, Political Committee Accounting and Part 3, Political Committee Reporting sections of this manual.]

PART 2

POLITICAL COMMITTEE ACCOUNTING

TREASURER

Appointment.

Each political committee ***must*** appoint a committee treasurer. [MCA §§ 13-37-201 and 203.] The only exceptions are for certain school districts and certain special districts.¹

The treasurer performs the important functions of depositing and disbursing funds, keeping accurate accounts, and administering the financial affairs of the political committee. The treasurer must be registered to vote in Montana.

Certification.

The appointment of a treasurer is one of the first steps in the organization of any political committee. The name of the treasurer must be certified to the Commissioner of Political Practices and to the election administrator of the county in which the committee has its headquarters. [MCA § 13-37-201; see also Part 3, Political Committee Reporting section of this manual.]

Timely certification is important. The treasurer is prohibited from performing any duty until a certification statement is filed. [MCA § 13-37-203.]

Only an appointed and certified treasurer or an appointed and certified deputy treasurer² may make deposits to or draw checks on the political committee account. [ARM 44.10.503.] Political committees may appoint a deputy treasurer; however, having more than one person depositing funds and writing checks on the political committee account requires close coordination to ensure accurate accounting as well as timely preparation and filing of political committee finance reports.

Keeping accounts.

The treasurer must keep detailed accounts that must be:

....current within not more than 10 days after the date of receiving a contribution or making an expenditure, except that accounts shall be current as of the 5th day before the date of filing a report . . .

[MCA § 13-37-208(1).]

In addition to accounting and reporting duties required by law, the treasurer for a political committee is required to preserve committee accounts and reports for a period coinciding with the term of office that a candidate is seeking (in the case of a Particular Candidate Committee) **or** for four (4) years, whichever is longer. [MCA §§ 13-37-208(3) and 13-37-231(2).]

DEPOSITORY

Designation.

Each political committee must designate one primary depository. This depository may be a bank, a credit union, a savings and loan association, or a building and loan association; however, this depository must be authorized to transact business in Montana and must offer accounts on which the equivalent of a check may be drawn.

Accounts must be completely separate from any personal accounts. [MCA § 13-37-205.]

It is important that ***all*** monetary receipts be deposited in the political committee account and that all money spent by the political committee be by checks drawn on this account. (The only exception is the petty cash fund.) Proper use of the political committee checking account will make record keeping and reporting much easier.

All funds must first be deposited into the political committee checking account. A political committee, however, may have more than one account in the primary

depository, for instance, a savings account or payroll account. A secondary depository is permitted in each county where an election is held and in which the political committee participates. With the specific written authorization provided by law, a deputy treasurer may make deposits to and expenditures from a secondary depository.³

Certification.

Immediately after designating a primary depository and after appointing a treasurer, a political committee must complete and file a Statement of Organization (Form C-2) with the Commissioner of Political Practices and with the appropriate county election administrator certifying the name of the treasurer and providing other information. [MCA § 13-37-201.]

RECEIPTS

Contribution defined.

Contributions from supporters are the principal source of receipts. A contribution is defined by law, in part, as "an advance, gift, loan, conveyance, deposit, payment, or distribution of money or anything of value to influence an election . . ." [MCA § 13-1-101(6).]

Depositing contributions.

All monetary contributions (cash or checks) received by any political committee person, must be transmitted to the treasurer (or deputy treasurer) within five (5) days after the contribution is received. The treasurer must then deposit all funds within five (5) business days of receipt.

Statement of contributions.

Before making a deposit to the political committee account, the treasurer is required to prepare a statement of amounts received from each contributor. [MCA § 13-37-

207(2).] This statement, all cash receipts, and the deposit slip must be kept together as part of the political committee records maintained by the treasurer.

Contributions by check.

Checks are preferable to contributions of cash. A simple list of the names of contributors and the amounts contributed would be a satisfactory method of maintaining a record of contributions received by checks; however, the easiest and best way to satisfy the statement of contributions requirement is to make photocopies of checks as they are received. This ensures that contributions are properly credited and also preserves useful information for the political committee.

Cash contributions.

Receipts must be written for any contributions of currency and coin of \$25 or more. Cash receipts must show: (1) the contributor's full name, (2) complete mailing address, (3) occupation, and (4) employer; (5) the exact amount received with (6) date of receipt (not required for individual contributors); and (7) the name of the individual who received the contribution on behalf of the committee. [ARM 44.10.505.]

While receipts are required only for cash contributions of \$25 or more, the best practice is to have a receipt for all cash contributions whenever possible. This will assist committees in identifying the sources of funds that are contributed.

Recording contributions.

In addition to the statement of contributions and its supporting documents, a treasurer must keep a detailed accounting of all contributors. Any system of record keeping may be used as long as it maintains the information required by law and necessary for filing reports.

Many political committees may find a card file the easiest way to maintain

information on contributors and their individual contributions. Such a system would have a card for each contributor giving the full name, complete mailing address, occupation, employer, date of receipt, amount, and nature of donation (currency, check, loan, in-kind, dinner ticket, fundraiser purchase, etc.).

Contributor card.

A contributor card might look like this:

Brown, Charles			Owner
225 17th Avenue			Charlie's Pizza Place
Anywhere, MT 59000			
			<u>Total to date</u>
2/3/04	\$ 25	check	25
3/7/04	10	cash at fundraiser	35
5/5/04	50	check	85
5/2/04	45	in-kind: item for auction	\$130

For political committees with data processing capabilities, the same information can be entered into a computer spreadsheet or database rather than on a card. Political committee reporting can also be simplified with the use of a computer. [See Part 3, Campaign Reporting section of this manual.]

Loans.

By legal definition, any loan to a political committee is considered a contribution; however, a loan is a contribution only to the extent that it remains outstanding. For example, if an individual loans a political committee \$400 of which \$300 is repaid; that individual's contribution is then \$100 (assuming that no further contributions are made).

Again, either a card or a computer entry must be made showing the full name, complete mailing address, occupation and employer of the lender, and the date and amount of the loan.⁴

Mass collections from fundraising events.

Mass collections from fundraising events (such as passing the hat or selling campaign pins, raffle tickets, or baked goods) also need to be recorded and reported, but this often is done in a different way from the accounting of other receipts.

Usually, the specific source of money at these events will not be known; therefore, the treasurer will account for proceeds from such fundraising activities by recording (1) the date of the event, (2) the approximate number of people attending, (3) a description of the event, and (4) the total amount of contributions received. [ARM 44.10.521.]

There is, however, an ***exception to this rule***. If an individual donation is \$35 or more, the donation or purchase must be recorded and reported individually.

In-kind contributions.

Some donations to a political committee are in-kind contributions. These must also be accounted for and reported in the same manner as other contributions, and the in-kind item or service must be identified as to its nature.

Frequently, in-kind contributions come in the form of services for which charges usually are made but which are rendered to the political committee free of charge or at a lesser amount than is customary. [See ARM 44.10.321(2) for a full definition and explanation of in-kind contributions.] In such circumstances, most political committees rely on the donor for a fair assessment of the value of the services provided, in keeping with the rules for making such assessments. [ARM 44.10.513 and 44.10.533.]

A donation of goods is also an in-kind contribution. For instance, a person might donate beef for a fundraiser. The fair market value of the beef would be recorded as

an in-kind contribution; or, if something were sold to the political committee at less than fair market value, the difference would be recorded as an in-kind amount. Certain small in-kind contributions, such as food brought to a potluck dinner or small items donated to a garage sale, need not be reported, although the political committee may wish to keep a record of them.

Sometimes goods donated to a political committee are intended to be sold; and an art auction fundraiser is a common example. In this example, the value of the donated piece of art is recorded and reported as an in-kind contribution by the donor. The purchaser of the art at the auction also makes a contribution to the committee in the amount paid for the item. This information must be recorded and reported as well.

Interest, rebates, and refunds.

Another kind of receipt that is not a contribution to a political committee may be interest earned on checking or savings accounts. The interest earned must be recorded and reported so accounts will balance.

Other kinds of receipts to a political committee might include rebates and refunds. Although they are not contributions, they are receipts to the political committee account and must be recorded and reported.

Earmarked contributions.

An earmarked contribution, which is legal, is one received from a person other than the original donor. If received, an earmarked contribution must be recorded and reported regardless of amount in the name of the person who originally provided the money. In addition, the person who passed it along must be recorded and reported. [See Part 3, Political Committee Reporting section of this manual.]

An example of an earmarked contribution would be money sent to a state political committee by a national political committee with the stipulation that it be equally divided among designated candidates. Since these transactions lead to more complicated reporting requirements, earmarked contributions are discouraged.

Donations/items not considered contributions.

Some things are not included in the legal definition of "contribution." For instance, any services provided by individuals who volunteer their time without compensation need not be recorded or reported. [MCA § 13-1-101(6)(b).]

LIMITATIONS ON CONTRIBUTIONS

Unlimited contributions.

There is no limit on the amount that an individual or a committee may contribute to a political party committee, political action committee, or ballot issue committee.

Contribution limitations.

The passage of Initiative 118 in 1994 limited the amount that individuals (other than the candidate) and political committees—both political action committees (PACs) and political party committees—may contribute to a candidate. [MCA § 13-37-216.]

In addition, the limitations are no longer for the entire election cycle but are now for EACH election: primary and general.

"Election" is defined as: the general election OR a primary election that involves two or more candidates for the same nomination. If there is not a contested primary, there is only ONE election to which the contribution limits apply. If there is a contested primary, then there are TWO elections to which the contribution limits apply. [MCA § 13-37-216(5).]

Individual and political committee limitations.

Individual and political committee contribution limits for **EACH** election are:

Governor/Lt. Governor	\$ 500
Other statewide offices ⁵	250
Other public offices	130

These limitations include **both** monetary and in-kind contributions.

Aggregate political party committee limitations.

Political party committees are legally defined as independent committees; that is, committees organized for the primary purpose of supporting or opposing various candidates and/or issues over a continuing period of time.

Contributions to candidates by political party committees are subject to the following **aggregate limits from ALL political party committees**:

Governor/Lt. Governor	\$ 18,000
Other statewide offices ⁵	6,500
Public Service Commissioner	2,600
State Senate	1,050
Other public offices	650

These contribution limits apply to **EACH** election: the primary and the general. These limits include **BOTH** monetary and in-kind contributions.

It is the responsibility of the campaign treasurer to ensure that the aggregate contributions from all political parties do not exceed the limit for each election period.

Aggregate PAC limitations for state legislative candidates.

PACs are legally defined as independent committees, that is, committees organized for the primary purpose of supporting or opposing various candidates and/or issues

over a continuing period of time.

A further limitation is imposed on state legislative candidates as to the **total** contributions they may receive from **all** political committees (other than political party committees). [MCA § 13-37-218.] This limitation is commonly referred to as the total PAC contributions allowed a legislative candidate. Aggregate PAC contribution limits are subject to change based on an inflation factor and are published by the Commissioner as an administrative rule prior to the time legislative candidates begin their campaigns. [ARM 44.10.331.]

For the 2006 election cycle, the aggregate limit a legislative candidate can receive from all PACs is \$2,450 for Senate candidates and \$1,500 for House candidates. NOTE: These limits are for the ENTIRE election cycle. IN-KIND CONTRIBUTIONS ARE COUNTED IN THESE AGGREGATE LIMITS.

ILLEGAL CONTRIBUTIONS

Corporate contributions.

Corporations are prohibited from making contributions to a candidate, to a committee that supports or opposes candidates, or to a political party. [MCA § 13-35-227.]

Most candidates and large corporations know this; however, some supporters may unwittingly write contribution checks on their business accounts. In such cases, the treasurer of the candidate or the political committee receiving the contribution will have to verify whether it is an individual or corporate contribution, potentially a time-consuming task. Looking at the check itself will not reveal in every case whether it is drawn on a corporate account—for instance, many corporations are designated in

ways other than the familiar "Inc."

Any check deposited by a political committee treasurer that is drawn on a business account and that is verified not to be a corporate account nonetheless must be recorded (and reported as necessary) in the name of the individual(s) actually making the contribution—not in the name of the business. [Unless it is from an incidental committee; see pages 5 and 6 of this manual.] Usually, that will be the name of the individual signing the check; however, since a bookkeeper (who is not the contributor) may be authorized to sign checks, the treasurer of the candidate or the political committee receiving the contribution must verify exactly who is making the contribution.

The best practice for a candidate, a committee that supports or opposes candidates, or a political party is to accept only personal checks.

If a corporate check should be deposited inadvertently, a refund must be made immediately on discovery. The practice of photocopying all checks coming into the political committee is especially helpful in this instance. A photocopy of the refund check should be sent immediately to the Commissioner of Political Practices.

Anonymous contributions.

An anonymous contribution is illegal in Montana. (This differs from an earmarked contribution in which the donor is known; see page 13 of this manual.) The identities of contributors of less than the threshold reportable amount of \$35 need not be disclosed on reporting forms; however, political committee records must show such known persons. Contributions must be refused when the source is not known or when the person offering money wishes not to be known.

Use of an intermediary to pass funds along from a third party as a means of concealing the identity of the true donor is also illegal. A political committee may

not knowingly accept a contribution in a name other than that of the person who is the actual contributor. [MCA § 13-37-217.]

EXPENDITURES

Definition.

An expenditure is defined in the law as "a purchase, payment, distribution, loan, advance, promise, pledge, or gift of money or anything of value made for the purpose of influencing the results of an election." [MCA § 13-1-101(10)(a).] As such, an expenditure means just about anything a political committee spends in support of or in opposition to a candidate or ballot issue.

All money spent must be by check drawn on the political committee account—except for money from petty cash. The person who draws the check must be an appointed treasurer or an appointed deputy treasurer who has been certified to the Commissioner of Political Practices and to the election administrator of the appropriate county. [See Part 3, Political Committee Reporting section of this manual.]

A small political committee might be able to note all expenditures in its checkbook, but a larger political committee might need to introduce cards or ledgers—manually or electronically—to maintain accounting control. For example, an expenditure card might be prepared for each recipient of political committee checks. The cards or ledgers could then be organized by categories of expenses that would assist the political committee in knowing where its resources are being spent and would be helpful in preparing reports.

With computer capabilities, the tasks of recording, aggregating and reporting expenditures are made easier. In any case, expenditures must be recorded showing (1) the full name and (2) the complete mailing address—for each person or business to whom an expenditure is made--along with (3) the date, (4) the amount,

and (5) the purpose.

Petty cash fund.

A petty cash fund is permitted under law. A statewide political committee may establish a \$100 petty cash fund that may be replenished to that figure each week. For other than statewide committees, a \$25 petty cash fund is allowed which also may be replenished each week. In both cases, money from the fund may be spent for office supplies, transportation expenses, postage stamps and other small necessities in an amount less than \$25. Petty cash may not be used for the "purchase of time, space, or services from any communications medium." [MCA § 13-37-215.]

Each time an expenditure is made from the petty cash fund, a ***receipt voucher*** must be completed showing the date money was withdrawn, the exact amount taken and by whom, the name of the person or vendor to whom paid, and the purpose. (Office supply stores have petty cash fund receipt vouchers.)

When the fund begins to run low, it may be replenished—but not more often than once a week—by drawing another check for the amount of the total of the vouchers; for example, if a \$100 fund is down to \$8.73 then the total of the vouchers for money expended should be \$91.27. A check for that amount could then be written to bring the fund back to \$100. The vouchers should then be attached to the canceled check and maintained as part of the permanent records of the political committee. [ARM 44.10.503.]

The total of petty cash expenditures to be recorded and eventually reported will be the total of checks written to petty cash.

Payroll account.

Large political committees that employ salaried staff may find a separate payroll account helpful. Such an account may be established in the same depository as the regular political committee account.

In calculating a payroll, the treasurer would include the gross salary of staff, the employer's contribution to Social Security (FICA), workers' compensation, unemployment insurance, and any other employer liability. The total of the payroll would then be deposited periodically into the payroll account (for political committees using such an account) by a check drawn on the regular account. This check is not an expenditure but a transfer of funds. Checks would then be drawn on the payroll account to pay staff members the net amounts due them.

The amounts for employee withholding, along with the amounts for employer obligations, would remain in the payroll account until the funds were required to be remitted to state and federal revenue departments. As checks are drawn on the payroll account, each amount would be recorded as a political committee expenditure.

While a payroll account introduces more complexity to political committee accounting, its use conforms to basic accounting principles and has the benefit of keeping dedicated money out of the regular account—thus avoiding the appearance of having more funds to spend than is actually the case.

Savings account.

Excess funds not currently needed by a political committee may be deposited into savings or other interest-bearing accounts or may be used to purchase certificates of deposit. To do so, a check would be drawn on the political committee checking account but would not be reported as an expenditure.

Bank service charges.

Bank service charges, if any, are an expense that obviously would not be made by a check drawn on the political committee account; however, bank service charges should be recorded in the accounts to ensure balanced books and should be reported as expenditures on financial reports.

PART 3

POLITICAL COMMITTEE REPORTING

STATEMENTS AND REPORTS

Obtaining forms.

Committees may obtain **Statement of Organization** forms from the office or website of the Commissioner of Political Practices or from their county election administrators. Reporting forms also may be accessed on the Commissioner's website.

Who must file statements.

The statement filing requirements of MCA Title 13, chapter 37 apply to every political committee ***with the exception*** of those associated with certain school districts as well as certain special districts. [MCA § 13-37-206; also see References at the end of this manual.]

With the exceptions noted above, all political committees must file a Statement of Organization, Form C-2, to certify their treasurers and depositories and to provide other information required by the Commissioner of Political Practices. [MCA §§ 13-37-201 and 205.] Political committees who file reports with the Federal Election Commission (FEC) may file copies of their FEC statement forms instead of using Montana forms.

Who must file reports.

Committee finance report filing requirements of MCA Title 13, chapter 37 apply to all political committees ***with the exception*** of county, municipal, and school committees when ***expenditures do not exceed \$500*** in all elections in a campaign. [MCA § 13-37-226(4).] All other political committees must file periodic reports disclosing campaign contributions and expenditures as well as other information

required by law. [MCA §§ 13-37-229 and 230.]

Incidental political committees use Form C-4 to report their financial activities; other political committees use Form C-6. Political committees (with the exception of independent committees, also use a special notice (Form C-7) for large contributions received close to election day. [See pages 26 through 36 of this manual.]

Also, political committees that file reports with the FEC may file copies of their FEC reports (instead of Montana forms) if these reports "fully disclose the source and disposition of all funds used to influence elections in Montana." [ARM 44.10.413(1)(a).]

Nonresident political committees that participate in Montana elections also must file finance reports disclosing their contributions and expenditures in Montana. [ARM 44.10.413(2).]

Where to file statements and reports.

All statements and reports of political committees must be filed with the Commissioner of Political Practices, 1205 Eighth Avenue, P.O. Box 202401, Helena, Montana 59620-2401.

In addition, a political committee must file a copy of the Statement of Organization and all finance reports with the election administrator of the county in which the committee is headquartered.

If hand-delivered to the Commissioner and the appropriate county election administrator, all statements and reports meet filing deadlines if received before 5:00 p.m. on the date due. If mailed, statements and reports must be deposited in "a U. S. Post Office, postage pre-paid, no later than 5:00 p.m. three (3) days before the prescribed filing date." [ARM 44.10.401(2)(c).]

Faxed statements and reports are considered to be filed in a timely manner if received by the filing deadline; however, a hard copy with an original signature should also be mailed to complete the filing.

Political committees must retain copies of all statements and reports for a period coinciding with the term of office that a candidate is seeking (in the case of a Particular Candidate Committee) **or** for four (4) years, whichever is longer. [MCA § 13-37-231(2).]

Report periods and due dates.

The law specifies the time periods covered by reports as well as the due dates for filing reports and vary, depending upon whether a committee is statewide, state district, or local. [MCA §§ 13-37-226 and 13-37-228.]

For clarification, a specific calendar of reporting periods with due dates is developed for each category of political committee prior to the election cycle. Reporting calendars are available on the Commissioner's website.

Failure to file statements/reports.

If a political committee fails to file the statements and reports as required by law, the Commissioner immediately notifies the treasurer of the noncompliance. If the political committee treasurer fails to comply after being notified, the Commissioner shall issue an order of noncompliance. [MCA § 13-37-121.]

PREPARING STATEMENTS

FORM C-2. STATEMENT OF ORGANIZATION

Most political committees are required to complete a Statement of Organization (Form C-2) that must be filed within five (5) days after a committee makes an

expenditure. [MCA § 13-37-201.] A committee that files reports with the Federal Election Commission, however, may use a copy of its FEC form for filing rather than a state Form C-2.

Many committees are on-going, such as political party committees and PACs; therefore, once an initial statement has been filed, an on-going committee need only file amended statements when changes occur. If a committee treasurer is removed or a depository is changed, then an amended statement must be filed within five (5) days. [MCA § 13-37-204.] An amended statement identifying other changes, such as addresses, telephone numbers and officers, should be filed within five (5) days as well.

The **full** name of the committee and its complete mailing address is required to avoid any potential confusion with similarly named committees. For instance, "Democratic Committee, Great Falls" would be insufficient as would "Cascade County Democratic Committee," because there may be several Democratic committees in the county and/or city.

The name and identity of a committee also must conform to the "naming and labeling" statute. [MCA § 13-37-210; see also Campaign Finance and Practices "Opinion" on the Commissioner's website.] A Statement of Organization will be rejected if the name of the committee **does not** conform to the law. Until another statement is filed with a name that is acceptable, a committee is enjoined from making any expenditures which, essentially, would curtail any political committee activity.

All committee officers, in addition to the treasurer, must be listed on the Statement of Organization (or on an attached sheet, if more space is required).

One section of the statement requires the "NAME OF CANDIDATE(S) OR BALLOT ISSUE(S)" that the committee supports or opposes. In the case of a party

committee, the committee may wish simply to state "entire Democratic ticket" and check the support box and provide the date of the election. A political committee involved with a number and variety of candidates and ballot issues may attach a separate sheet listing them and indicating support or opposition, or the committee may write "various" in the appropriate space.

A Statement of Organization must be legible and must bear the original signature of an officer of the committee. [ARM 44.10.401(2)(b).] The Statement also should be dated.

The box at the bottom of the form should be checked only by a county, municipal, or school committee that does not expect contributions or expenditures to exceed \$500. If \$500 is subsequently exceeded, the committee must file an initial finance report within five (5) days and file future reports as required. [ARM 44.10.407.]

PREPARING REPORTS

Required forms.

Incidental political committees use Form C-4 to report financial activities; all other committees use Form C-6. Large contributions from a single source received by ballot issue committees, particular candidate committees, and incidental committees between the last reporting day included in the pre-election report and election day are reported on Form C-7. This form also is used by candidates. Filing instructions are provided for C-4, C-6, and C-7 forms.

Committees having data processing capabilities may submit computer-generated reports instead of using state forms if these reports provide the information required and ***if the information is in the same format*** as state reporting forms.

Federally-filing committees may use copies of their FEC reports instead of Montana forms. Committees headquartered outside of Montana that do not file FEC reports

may file reports submitted to their home states provided such reports satisfy Montana reporting requirements; otherwise, such committees must file using Montana forms. [MCA § 13-37-227; ARM 44.10.413.]

FORM C-4.

INCIDENTAL POLITICAL COMMITTEE FINANCE REPORT (and C-4 Schedules)

FORM C-4. First Page: Filing Designation.

The committee should indicate if the report is an original filing or an amended filing by checking the appropriate box.

FORM C-4. First Page: Reporting Period.

The time periods covered for all reports (initial and periodic) include up to the fifth day before the due date of the appropriate report. All accounts must be current up to the fifth day before the due date. A closing report covers the period from the last report to the final closing of the books.

FORM C-4. First Page: Name and Address.

The full registered name of the incidental committee should be entered together with the complete mailing address.

FORM C-4. First Page: Cash Summary: Money Received and Spent.

This part of the report summarizes only cash transactions for the reporting period. The summary documents Form C-4 schedule totals. Care must be exercised when transferring totals from schedules to the Cash Summary to ensure totals from these columns are accurately entered.

Line 1 in the summary, RECEIPTS, is the total for the reporting period from Schedule A.

Line 2 in the summary, CORRECTIONS, reflects either an addition or subtraction from Schedule C.

Line 3 in the summary, EXPENDITURES, is the total paid out for the reporting period from Schedule B.

FORM C-4. First Page: Certification.

An original signature by an officer whose name is on the Statement of Organization on file in the office of the Commissioner certifies the report with all attachments is complete and correct.

FORM C-4. Schedule A: Receipts

Section 1. Earmarked Contributions Less Than \$35 Each.

The total of all earmarked contributions from individuals who each contributed less than \$35, monetary and in-kind, is reported here as a lump sum; however, a record should be maintained for each individual who has contributed less than \$35 to date, because, among other reasons, the individual's contributions might later reach the \$35 reporting threshold.

Section 2. Earmarked Contributions of \$35 or More.

All contributions from individuals, both monetary and in-kind, of \$35 or more should be reported here. Note: only one name is to be listed for each contribution. A contribution drawn on a joint checking account should not be reported in the names of the individuals printed on the check but should be reported in the name of the person who signed the check, unless there is written authorization by the parties to split the contribution. Even if the amount of the contribution written on the check is to be split, the amount on the check should be divided and reported as two separate individual contributions.

Section 3. Rebates, Refunds, Other Miscellaneous Receipts.

This section would be used to report a refund from a candidate or committee for

overpayment.

FORM C-4. Schedule B: Expenditures.

Expenditures made directly to candidates and committees are reported in this section; and the full name and complete mailing address of the candidate or committee is reported under “payee.” If an expenditure is made on behalf of a candidate or committee (in-kind) and it is coordinated with the candidate or committee, the full name and complete mailing address of the recipient is reported under “payee” and the name of the candidate or committee on whose behalf the expenditure was made is reported under “purpose.”

Expenditures made independently of candidates and committees also are reported in this section. The full name and complete mailing address of the candidate or committee is reported under “payee,” and the fact that the expenditure was independent is reported under “purpose.”

See ARM 44.10.323(3) and (4) for definitions of “independent expenditure” and “coordinated expenditure.”

FORM C-4. Schedule C: Corrections to Receipts and Expenditures.

The main use of this portion of the report form is to correct information that previously has been reported incorrectly. For instance, a person’s name or address might have been incorrectly listed in an earlier report or a wrong payee might have been shown.

This schedule should not be used to report refunds. Rather refunds should be reported in Schedule A, Section 3.

FORM C-6. POLITICAL COMMITTEE FINANCE REPORT (and C-6 Schedules)

FORM C-6. First Page: Filing Designation.

The committee should indicate if the report is an original filing or an amended filing by checking the appropriate box.

FORM C-6. First Page: Reporting Period.

The time periods for all reports (initial and periodic) include up to the fifth day before the due date of the appropriate report. All accounts must be current up to the fifth day before the due date. A closing report covers the period from the last report to the final closing of the books.

FORM C-6. First Page: Name and Address.

The full registered name of the political committee must be entered together with the complete mailing address.

FORM C-6. First Page: Cash Summary: Money Received and Spent.

This part of the report summarizes cash transactions for the reporting period and ***does not include in-kind contributions***. The summary documents Form C-6 schedule totals. Care must be exercised when transferring totals from schedules to the Cash Summary to ensure totals from these columns are accurately entered.

Line 1 in the summary, CASH IN BANK, is the ending balance of the previous report (or zero if this is the initial report). Any discrepancy between the previous ending balance and the beginning balance for the current reporting period must be explained. Please note that the beginning balance (cash in bank) includes all accounts and funds (checking, savings, payroll, money market, and certificates of deposit).

Line 2, RECEIPTS for the reporting period, is added to CASH IN BANK; then, CORRECTIONS from Schedule C is entered as either an addition or subtraction on Line 3. The resulting Subtotal is then entered.

Line 4, EXPENDITURES for the reporting period, is entered and then subtracted from the Subtotal, resulting in the ending balance CASH IN BANK. This balance should correspond with the committee's accounts as of the closing date of the reporting period, that is the fifth day before the report is due.

FORM C-6. First Page: Certification.

An original signature by an officer whose name is on the Statement of Organization on file in the Office of the Commissioner certifies the report with all attachments is complete and correct.

FORM C-6. Schedule A: Receipts

Section 1. Contributions Less Than \$35 Each.

The totals of all contributions from individuals who each contributed less than \$35, monetary and in-kind, are reported here as lump sums; however, a record should be maintained for each individual who has contributed less than \$35 to date.

Section 2. Loans.

Any loan, of whatever amount, made during the reporting period is recorded here—even if the loan is repaid during the same reporting period. (Any repayment for a loan would be reported in Schedule B as an expenditure.) The date of the loan is also required.

Section 3. Interest, Rebates, Refunds, Other Miscellaneous Receipts, and Fundraisers.

This section is used to report all types of receipts, some of which are not actual contributions. The most common of these are interest earned from the committee's account, rebates, and refunds. (An example of a rebate would be a ten percent rebate given by a vendor for a bill that was promptly paid.)

Total receipts from a fundraiser ***for receipts of less than \$35*** should also be reported here. These fundraiser receipts may be lumped together and reported

with: (1) the date of the fundraiser, (2) a description of the fundraising event, and (3) the approximate number of people attending. Each fundraising event should be reported separately; however, any expenses associated with a fundraiser should be reported in Schedule B as expenditures.

Section 4. Political Action Committee Contributions.

All contributions received from political action committees, regardless of amount, including both monetary and in-kind, should be reported here. The ***full registered name*** of the political action committee should be used; and the complete mailing address and the date the contribution was received must be reported. Use this portion of Schedule A to report any ***earmarked committee contributions***, of whatever amount, in the name of the original donor.

Section 5. Political Party Contributions.

All contributions received from political party committees, regardless of amount, including both monetary and in-kind, should be reported here. The ***full registered name*** of the political committee should be used; and the complete mailing address and the date the contribution was received must be reported. Use this portion of Schedule A to report any ***earmarked committee contributions***, of whatever amount, in the name of the original donor.

Section 6. Incidental Committee Contributions.

All contributions received from incidental committees, regardless of amount, including both monetary and in-kind, should be reported here. The ***full registered name*** of the incidental committee should be used and the complete mailing address and the date the contribution was received must be reported. Use this portion of Schedule A to report any ***earmarked committee contributions***, of whatever amount, in the name of the original donor.

Section 7. Other Political Committee Contributions.

All contributions received from any other political committees, regardless of amount,

including both monetary and in-kind, should be reported here. The **full name** of the committee should be used and the complete mailing address reported. Use this portion of Schedule A to report any **earmarked committee contributions**, of whatever amount, in the name of the original donor.

Section 8. Individual Contributions of \$35 or More.

All contributions from individuals (both monetary and in-kind) of \$35 or more should be reported here. Note: **only one name** is to be listed for each contribution. A contribution drawn on a joint checking account should not be reported in the names of the individuals printed on the check but should be reported in the name of the person who **signed** the check, unless there is written authorization by the parties to split the contribution. Even if the amount of the contribution written on the check is to be split, the amount on the check should be divided and reported as two separate individual contributions.

FORM C-6. Schedule B. Expenditures

Section 1. Petty Cash.

The total of all checks written to petty cash for the period should be reported in this section. No further itemization of petty cash expenditures is required on the reporting form; however, receipt vouchers for money spent from petty cash should be attached to checks drawn to replenish the fund. [See page 19 of this manual.]

Section 2. Other Expenditures.

All other expenditures of the committee must be listed giving the full name and complete mailing address to whom paid, as well as purpose, date, and amount.

Several expenditures to the same payee may be listed under one entry for the payee, but dates and amounts must be separated. Payments made on loans also should be reported as expenditures as well as any bank service charges that appear on an account statement.

All expenditures should be reported in the appropriate “primary” or “general” election column.

Political committees should be aware of the limitations on amounts that may be contributed to candidates, aggregate limitations to candidates from political party committees and aggregate limitations to legislative candidates from political action committees. [MCA § 13-37-216(2); ARM 44.10.331; and see pages 14 through 16 of this manual.]

Expenditures made directly to candidates and committees are reported in this section; and the full name and complete mailing address of the candidate or committee is reported under “payee.” If an expenditure is made on behalf of a candidate or committee (in-kind) and it is coordinated with the candidate or committee, the full name and complete mailing address of the recipient is reported under “payee” and the name of the candidate or committee on whose behalf the expenditure was made is reported under “purpose.”

Expenditures made independently of candidates and committees are also reported in this section; and the full name and complete mailing address of the candidate or committee is reported under “payee” and the fact that the expenditure was independent is reported under “purpose.”

See ARM 44.10.323(3) and (4) for definitions of “independent expenditure” and “coordinated expenditure.”

FORM C-6. Schedule C: Debts Not Yet Paid.

This portion of the reporting form is used to show all unpaid debts of whatever amount. The full name and complete mailing address of the individual or business to whom the debt is owed, the nature of the debt or loan, the date incurred, and whether the obligation is for the primary or the general election must be reported.

Debts and obligations must continue to be reported so long as they remain outstanding. Unpaid loans are also reported here.

NOTE: If the exact amount of a debt or obligation is not known, the estimated amount owed shall be reported. [ARM 44.10.525(2).] For example, if the committee has purchased printed materials, but an invoice has not yet been received and paid before the end of the reporting period, the amount (or the estimated amount) of the committee's outstanding obligation must be reported.

FORM C-6. Schedule D: Corrections.

The primary purpose of this section of the report form is to correct information that previously has been reported incorrectly. For instance, a person's name or address might have been incorrectly listed in an earlier report or a wrong payee might have been provided.

This schedule should ***not*** be used to report rebates or refunds. Rather, rebates and refunds should be reported in Schedule A, Section 3.

FORM C-7. NOTICE OF PRE-ELECTION CONTRIBUTIONS

A Form C-7 should be filed to report any large contributions to a committee from a single source ONLY FOR THE PERIOD between the last reporting day included in the pre-election report and election day.

Please note that all information reported on Form C-7 must be included on the next C-6 report that is filed.

Any statewide ballot issue committee or particular candidate committee must file a Form C-7 if \$200 or more is received from a single source between the 10th day before an election and the date of the election; this report must be filed within 24

hours of receipt of the contribution.

Any other ballot issue committee or particular candidate committee must file a Form C-7 if \$100 or more is received from a single source between the 17th day before an election and the date of the election; this report must be filed within 48 hours of receipt of the contribution. [MCA § 13-37-226(3).]

REFERENCES

¹An excepted school district is " (1) a first-class district located in a county having a population of less than 15,000; (2) a second- or third-class district; or (3) a county high school district having a student enrollment of less than 2,000." Excepted special districts include, but are not limited to, "a conservation district, a weed management district, a fire district, a community college district, a hospital district, an irrigation district, a sewer district, a transportation district, or a water district." [MCA § 13-37-206.]

²Several deputy treasurers may be appointed but no more than one in each county in which a candidate or committee takes part in an election.

³ For more complete information on secondary depositories and access to them by deputy treasurers see MCA §§ 13-37-202 and 13-37-205.

⁴Money borrowed from a lending institution is considered to be from the person who is the obligor on the note and not from the lending institution itself. [ARM 44.10.515.]

⁵In addition to the offices of Governor/Lt. Governor, statewide offices include Attorney General, Auditor, Secretary of State, Superintendent of Public Instruction, Supreme Court Justices, and Clerk of Supreme Court. (*Candidates for District Judge, Public Service Commission, State Senate and State House are state district candidates.*) The \$130 contribution limit applies to all but statewide candidates.